



Confederation of International Contractors' Associations (CICA)

Strategic Watch: COVID-19 Overview by country and region (situation at August 26, 2020)

Based on FIEC's COVID-19 Construction Observatory, FIIC's, CIAN's, MEDEFI's and IFAWPCA's data

For more information go to the CICA Website: <http://www.cica.net/cica-covid-19-overview/> and Dropbox: <https://www.dropbox.com/home/Observatory%20COVID-19>

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Country/Region	Facts/Measures for construction
WORLD	
World	<p>The ENR Top 250 International Contractors survey results describe the current trends in the international construction market. The ENR Top 250 Global Contractors list ranks contractors based on total worldwide contracting revenue, regardless of project locations. The latest Top 250 International Contractors reported US\$473.07 billion in contracting revenue in 2019 from projects outside their home countries, down 2.9%, from US\$487.29 billion in 2018. ENR reports that the already uncertain environment of 2019 has been worsened since COVID-19 hit. Many contractors already have felt the impact of the pandemic on their business as shown in the examples below (cf. ENR) (20 August).</p> <p>Examples from European contractors</p> <p>Sales and profits of leading European contractors have been hit to varying degrees. Some expect recovery in the short to medium term while they review risk-sharing provisions in future contracts.</p> <ul style="list-style-type: none"> • Vinci (France): the virus started affecting Vinci's sites in Asia in early March and then in Europe, reaching Africa and the Americas in April followed by jobsites in the Middle East according to Vinci's CEO. Depressed oil prices also delayed some of Vinci's projects, including two 160,000-cu-m cryogenic liquid natural gas storage tanks in Russia's arctic Yamal peninsula, where foundation work had already started. Vinci's sales fell around 17%, to US\$6.8 billion in the first half of 2020. Revenue in France, accounting for nearly half the total, dropped by over 27%. Business outside France was more resilient, with sales dipping by around 5%. Vinci's CEO advises authorities now to focus investment on smaller projects as they are quick to release, and they serve the local community. • Skanska (Sweden): started feeling pandemic impacts this year on contracts mainly in the U.K., U.S. and Central and Eastern Europe. However, Nordic countries are pretty much unchanged as Nordic profit margins in the first half of 2020 remained similar to last year at 2.9%, while falling to 0.2% from 1% in the rest of Europe. Profits rose by 0.5% to 1.7% in the U.S., where the impact has been mainly in the building business according to the CEO. • Strabag (Austria): according to the CEO, for Strabag was another record year with a stable order intake. His team had forecast a 2% sales dip for 2020 but revised that to a 10% tumble after including the pandemic's impacts. • Acciona (Spain): lockdowns in various countries plus new anti-virus measures contributed to a nearly 90% drop in net profit, to US\$26 million during the first half of 2020. Sales at the firm dropped by US\$622 million during that period to US\$3.5 billion, mostly due to the pandemic. Among corporate protection measures, Acciona halved the shareholder dividend paid last month and is reviewing asset sales.

- **Abertis Infraestructuras SA (Spain):** lockdowns in Spain and elsewhere also cut revenue for the Madrid-based toll-road operator. This hit the bottom line of its controlling shareholder, **Germany's Hochtief AG**. After contributing US\$61 million to Hochtief's first-half profit last year, Abertis had a US\$21 million loss this time.
- **Hochtief (Germany):** Hochtief's operating net profit of US\$289 million in the first half of 2020 matched the same period last year. And while sales in the second quarter fell 8% below last year, the first half output remained virtually unchanged at US\$14 billion. The group's resilience allegedly stems from its diversification strategy by geography and activities.
- **Webuild (Italy):** shutdowns were generally short-lived for Webuild SpA (formerly Salini Impregilo) according to the CEO. Nevertheless, sales in this year's first half were 18.3% below 2019, while margins on earnings before interest, taxes and amortization fell from 8.8% to 5%. Webuild's acquisition of Italian contractor Astaldi SpA, plus government stimulus measures, should neutralize pandemic effects according to a company representative.
- **Balfour Beatty (UK):** reported a six-month pretax loss of US\$34 million, down from an US\$82-million profit during the same period last year, largely due to pandemic.

Example from non-European international contractors

- **China Communications Construction Co. Ltd. (CCCC) (China):** according to the company, CCCC worked successfully through the crisis. The company launched an emergency response process while carrying out epidemic prevention and control programs to promote the resumption of work and production. As a result, the value of contracts signed by the company in the first half of the year gained a year-on-year increase of 3.8%, according to a CCCC spokesperson.
- **Larsen & Toubro Ltd. (India):** the Middle East market has been severely hindered by the virus and the resulting plunge in oil prices. According to the company's CEO, the instability in crude oil prices has adversely affected investments in the infrastructure space and COVID-19 has severely disrupted progress across projects. The firm will exercise caution in picking future projects. Most Gulf Cooperation Council (GCC) countries are on a "wait-and-watch" mode and having doubts regarding their ability to finance large infrastructure projects, maintain cash flows and stretching timelines to both approve and execute current and new projects.
- **Kuwait's Combined Group Contracting Co. (Kuwait):** Kuwait has restricted the issuing of work visas in reaction to COVID-19. Kuwait has also recently proposed to drastically limit foreign worker stays in the country to help shore up its internal workforce.

EUROPE


Eurozone

The IHS Markit Eurozone Construction Total Activity Index rose from 48.3 in June to 48.9 in July, indicating the weakest decline in construction activity across the eurozone in the current five-month sequence. Survey data showed Italy recorded construction output growth, while Germany and France posted declines (*The IHS Markit Eurozone Construction PMI is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 650 construction firms in the eurozone*) (7 August).

- **Housing construction activity:** the decline in France was almost offset by increases in home building activity in Germany and Italy. Commercial building activity across the eurozone continued to fall in July. The decline was driven by Germany and France. Italy reported further growth, albeit the slowest in the current three-month sequence.

	<ul style="list-style-type: none"> • Eurozone civil engineering activity fell further in July. National data revealed that only France posted growth, while Germany and Italy continued to report a decline in civil engineering. • Construction output: among the eurozone's three largest economies, only Italy registered growth in construction output during July, which remained modest overall. On the other hand, Germany and France registered declines in construction activity. • New business received by eurozone construction firms fell further in July, though the rate of decline eased for a third month and was the slowest in the current five-month sequence. Lower sales were generally connected to greater competition, reduced client demand as well as limited capacity inhouse. The downturn was led by Germany and France, while Italy posted a further increase. • Employment in the eurozone construction sector continued to shrink in July amid reduced output requirements, extending the current sequence of decline to five months. France posted a mild increase. Germany and Italy recorded job shedding.
UK	<p>Construction activity for the top UK contractors returned to pre-coronavirus levels during July, according to industry analyst Barbour ABI. Barbour ABI shows that the 50 leading contractors were awarded a total of 165 projects, with a combined value of over £3.9 billion (€4.3 billion). The leading contractor, in terms of project value is RJ McLeod, who was appointed as main contractor on the £500 million (€556 million) Viking Wind Farm project in the Shetland Isles in Scotland. Second in the table is ISG, with five awards totaling £221 million (€246 million). While awards for the leading UK contractors had recovered strongly in July, it was worth noting that there was likely to be a bow wave of projects now being green-lighted after lockdown and furlough (cf. Construction Europe) (11 August).</p> <p>However, despite the government's recovery plan targeting the infrastructure sector, the <u>Construction Products Association (CPA) in the U.K. anticipates continuing uncertainty for the sector in its new forecast</u>. It expects this year's construction output to fall by 20.6%, with the biggest drops in private housing (-33%) and commercial buildings (-29%). While CPA's economics director expects an 18% rise in construction output next year, this will be accompanied by a low base of activity in 2020 and will still be 6.4% lower than pre-coronavirus levels (cf. ENR) (20 August).</p>
LATIN AMERICA	
Argentina	<p>The <u>Argentine Chamber of Construction presented to the government the "Plan for the Reconstruction of the Economy through Private Construction"</u>, a proposal for the economic reactivation during the post-pandemic period agreed upon with the Construction Workers Union (UOCRA), the Business Chamber of Urban Developers (CEDU), and the Association of Housing Entrepreneurs (AEV). The plan includes three stages, to be implemented between the third quarter of this year and 2021.</p> <p>The sector's proposals to be implemented from the third quarter of this year are:</p> <ul style="list-style-type: none"> • Reactivate the works in progress using adhesions to development trusts; • Activate the tax exemption regime of the 2019 Budget Law for homes with a value of less than 140,000 UVAs. <p>As of the fourth quarter, the suggestions are:</p> <ul style="list-style-type: none"> • Creation of a vehicle for investment in construction that would be called Simplified Construction Society having a positive tax effect and that would include incentives for investors and families;



	<ul style="list-style-type: none"> Boosting mortgage credit which, for the policyholder, would be adjusted by the Coefficient of Variation in Salaries (CVS), with a counter-cyclical compensation fund. <p>Finally, between the last quarter of this year and next year the proposals are:</p> <ul style="list-style-type: none"> A Housing Law that encourages permanent investment in housing for sale, rent or lease and that defers the payment of Income Tax; Social security contributions to finance the purchase of housing, similar to "Minha casa, minha vida" in Brazil or Infonavit in Mexico Mortgage credit incentives (July).
El Salvador	<p>The <u>construction sector used to be one of the most dynamic sectors with a growth rate of 9%, now a growth rate of merely 4% is estimated</u>. A recovery would take up to 12 months to catch up and two more years to resume growth, according to the newly elected president of the Salvadoran Chamber of Construction (CASALCO). The construction was authorized in a targeted manner during the most restrictive period of the quarantine and is part of the activities allowed in Phase I of the re-opening process. Sanitary protocols are already in place. However, the return to work is only accounting for 30%, partly because of the restriction on public transport and the dispersal of staff. The implementation of the health and sanitary protocols has been a challenge as there is a strong demand for more health inputs. This also represents an additional cost for the construction industry.</p> <p>Some private construction projects are still underway, but others that were planned may be postponed for more than three months. In some cases, the situation is more critical, for example in tourism projects. For this year US\$783 million were forecasted in planned public investment, which is generally executed at 60% per year. Because of the pandemic, it is estimated that between 30 and 40% could be executed.</p> <p>CASALCO has also been pushing for a law on inclusive and social housing. The Minister of Housing has been discussing the issue as it might be viable to promote the construction of social housing, and there are also identified sources of funding for this type of project (August).</p>
ASIA	
Singapore	<p><u>Fifty-eight new asymptomatic cases of Covid-19 have been linked to a cluster at a huge workers' dormitory in Singapore</u>, highlighting the challenges facing authorities as they try to restart construction safely. Most of the cases were detected through the city state's compulsory Rostered Routine Testing (RRT) regime, in which all foreign workers must have a swab test every 14 days. Singapore experienced a late surge in coronavirus cases, but it was predominantly among its 387,000 foreign workers in the construction, marine and process sectors, many of whom live in dormitories. According to the state's Building Construction Authority (BCA), the Ministry of Manpower has issued stay-home notices to around 4,800 workers as it tries to sort infected workers from those who are uninfected or recovered. The Government faces an extra challenge getting construction and other companies to register with the RRT testing regime. In order to go back to work, workers must have had a swab test in the last 14 days (cf. GCR) (24 August).</p>
NORTH AMERICA	
USA	<p style="text-align: center;">  Download the State by State Coronavirus status updates (cf. ENR) </p> <p>US housing continues to grow despite the increasingly dark economic landscape as single-family and multi-family starts posted solid gains in July, according to a <u>report from the US Housing and Urban Development and Commerce Department</u>. <u>Total housing production was up 22.6% to a seasonally adjusted annual rate of 1.50 million units</u>, reflecting the highest production rate since February. According to the National Association of Home Builders</p>



	(NAHB), the market is being buoyed by historically low interest rates, a focus on the importance of housing and a shift to the suburbs as more buyers are seeking homes in suburban communities, and more affordable low density markets (20 August).
MIDDLE EAST	
Saudi-Arabia	<p>Saudi Arabia increased its VAT (value-added tax) rate from 5% to 15% on July 1, 2020, to boost revenue and revive its oil-dependent economy. The move comes just two years after Saudi Arabia first introduced its VAT system.</p> <p>Saudi Arabia has also put in place a “localization program” that might affect international contractors: the In-Kingdom Total Value Add (IKTVA) policy favors local sources of materials and labor to help accelerate the diversification of its economy away from oil and gas and to develop skilled jobs for Saudi citizens. There would be the possibility of a ripple effect across the Gulf Cooperation Council (GCC) member states that could introduce VAT systems, particularly the United Arab Emirates and Bahrain. Kuwait and Oman are likely to be the next GCC members to introduce VAT systems (cf. ENR) (20 August).</p>
AFRICA	
South Africa	<p>South Africa’s national roads agency (Sanral) has said that it is ready to implement projects worth R30bn (€1.4bn) as part of a drive to unlock the economy. President Cyril Ramaphosa has called for both private and public sector entities to invest in and unlock ‘shovel-ready’ infrastructure development projects to stimulate the South African economy in the wake of the Covid-19 pandemic. He recently also hosted the Sustainable Infrastructure Development Symposium of South Africa (SIDSSA). The President’s call was followed by a commitment from the minister of transport that road infrastructure development would be a key contributor to South Africa’s economic. A representative from Sanral said that there is already portfolio of ‘shovel-ready’ projects that would be implemented during the course of the 2020/21 financial year and beyond. In the current financial year, Sanral would have advertised 278 maintenance, operations and construction projects worth approximately R30.2 billion (€1.4 billion). So far 136 projects to value of R7.3 billion (€360 million) have been awarded. In addition, Sanral plans to roll out over 200 additional road infrastructure projects across all nine provinces of South Africa, impacting directly on economic development, job creation and economic transformation (12 August).</p>
PACIFIC	
New Zealand	<p>The <u>New Zealand government is to invest in a major construction project in central Auckland to enable it to get under way this year.</u> The financial support for the University of Auckland’s Faculty of Education & Social Work will mean that the project will not be delayed as a result of the Covid-19 pandemic. Finance minister and infrastructure minister announced that the government will invest up to NZ\$200m (€111m) in the project, which will create up to 750 jobs. The funding is coming from NZ\$3bn (€1,6bn) set aside for infrastructure in the Covid-19 Response and Recovery Fund (17 August).</p>
MULTILATERAL DEVELOPMENT BANKS (MDBs) & OTHER INTERNATIONAL INSTITUTIONS	
Inter-American Development Bank	<p>The Inter-American Development Bank (IDB), CAF – development bank of Latin America –, and FONPLATA announced the launching of their <u>Alliance for the Integration and Development of Latin America and the Caribbean (ILAT)</u> to provide technical and financial support to integration projects and generate knowledge and applied technology. <u>The three banks should thus support Latin American and the Caribbean countries efforts to develop quality integration infrastructure in transparent and innovative ways.</u> Together, the three organizations currently finance close to 100 integration projects in South American countries for a total of nearly US\$10 billion. Through ILAT, the banks will be able to cooperate with Latin American and the</p>



	<p>Caribbean countries, helping them set up a prioritized portfolio of integration infrastructure projects and bolstering their project pre-investment, financing and execution efforts. In addition, the initiative will offer technical support for the development of integration programs and binational or multinational initiatives. ILAT will also promote the generation of knowledge products and digital platforms for the integration projects in order to improve their ability to measure and monitor their benefits and facilitate project identification, planning and prioritization (3 August).</p>
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